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15 August 1966

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## INTELLIGENCE REPORT

### THE SITUATION IN SOUTH VIETNAM

### DIRECTORATE OF INTELLIGENCE

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CENTRAL INTELLIGENCE AGENCY  
Directorate of Intelligence

THE SITUATION IN SOUTH VIETNAM  
(8 August - 14 August 1966)

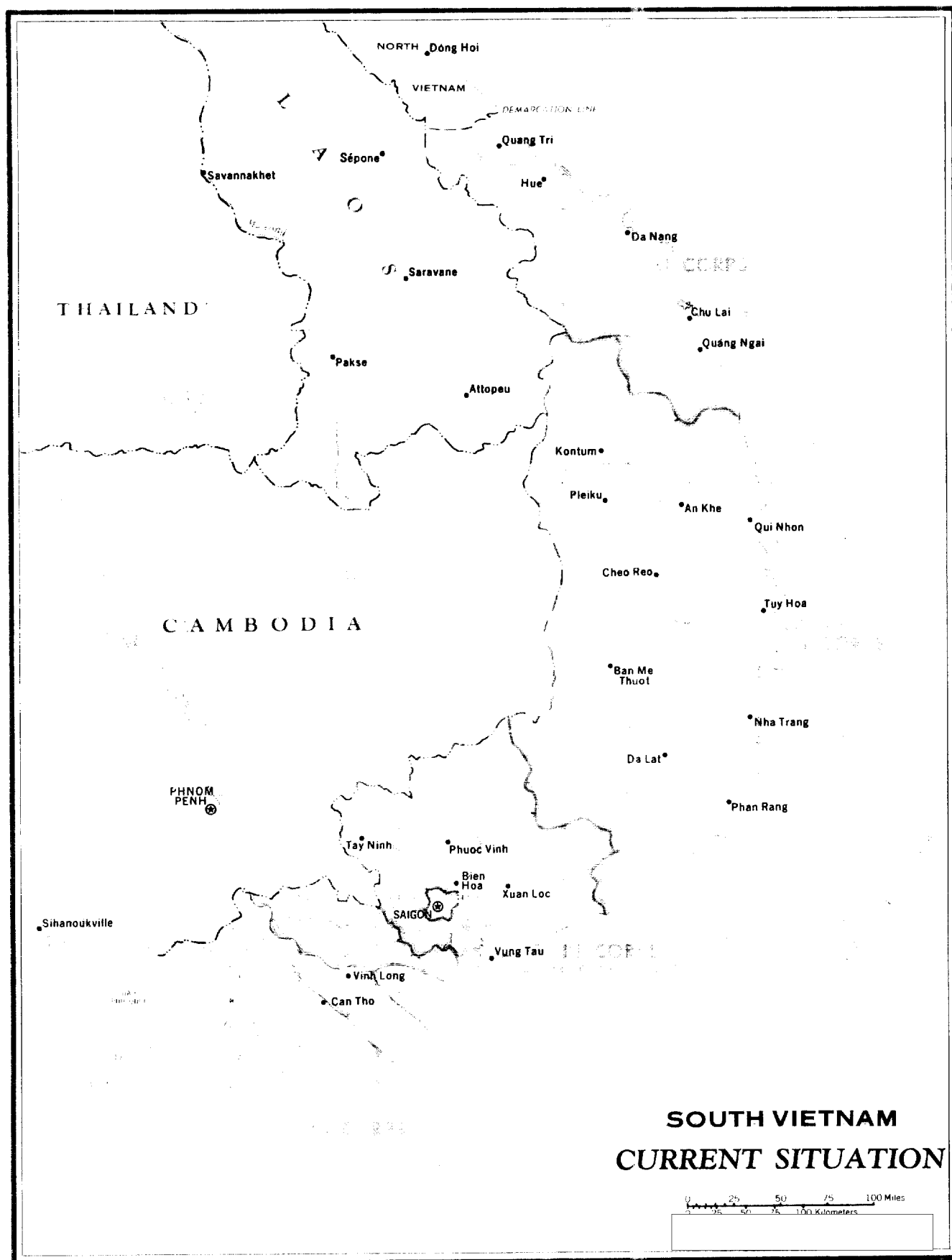
C O N T E N T S

	<u>Section</u>
POLITICAL SITUATION	I
Premier Ky's visit to the Philippines; Government replies to the Buddhist In- stitute; Election notes; Viet Cong terrorism in Saigon; Buddhist Institute developments.	
REVOLUTIONARY DEVELOPMENT	II
Viet Cong defectors (Chieu Hoi); Viet Cong tactics against local GVN officials; Educational developments; Free world assistance to public health programs.	
ECONOMIC SITUATION	III
Prices; Gold and currency; Reduction in GVN indebtedness; Truck garden campaign; <div data-bbox="316 1423 698 1459" style="border: 1px solid black; height: 17px; width: 235px;"></div>	
ANNEX: Weekly Retail Prices in Saigon (table)	

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## I. POLITICAL SITUATION

Premier Ky has returned from a three-day visit to the Philippines. The government reply to the 30 July letter of the Buddhist Institute has, in the opinion of the Buddhists, failed to answer their demand that the GVN clarify the legality of the "struggle" effort. A major phase of election preparations was completed on 12 August with the Central Election Council finishing its work of screening appeals for the certification or rejection of candidates; the official list of candidates standing for the National Constitutional Assembly now stands at 542. With the issuance of several more communiques from the Buddhist Institute during the week, it appears that their opposition to the government is beginning to firm up.

### Premier Ky's Visit to the Philippines

1. Premier Ky arrived back in Saigon on 13 August after completing his official visit to the Philippines. Press coverage on his visit was generally quite favorable, according to a report from the Embassy in Manila. Ky, in a reply to press questioning early in the tour, indicated that, although he would prefer a "quick" military solution to the war in South Vietnam, he did not object to a longer term approach which would involve a "true" social revolution in the South. This statement was apparently intended to represent a retrenchment of his position a few weeks ago when he seemed to be advocating invasion of the North to end the war.

2. In a speech in Manila, Ky appealed to Asian nations to unite to halt the spread of Communism in Asia. He accused some nations, without naming those to which he was referring, of following either a "narrow policy" or of maintaining a "stance of disinterest." On his return to Saigon, Ky predicted, as he did while abroad, that if the current rate of progress in the military, political and economic fields continues, a partial withdrawal of US military forces from South Vietnam may be contemplated in two years.

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Government Replies to the Buddhist Institute

3. The GVN last week replied to a 30 July letter of the Buddhist Institute, which had demanded a clarification of government policy toward the "struggle" movement and toward Buddhist clergy and laity now detained. The government's reply to the four-point Buddhist letter denied that it considered struggles for freedom and democracy illegal; only "illegal means" are censured. Regarding prosecution of persons now held for their part in the "struggle" movement, the GVN answered that investigations are under way and that only those who have violated the law will be tried. The government also denied a policy of censoring Buddhist or any other religious communiques submitted for publication, stating that only anonymous items will be denied press exposure.

4. The government reply was largely rejected by the Buddhist Institute. The Buddhist position was that the GVN's answer did not directly deal with the questions posed in their 30 July note.

Election Notes

5. The Central Election Review Council--the final authority on approving assembly candidates--has finished its screening of 42 appeals, 23 submitted to it by local boards, 18 by individual candidates, and one by an individual voter. The final official list of candidates, posted on 12 August, now shows that a total of 542 candidates will be competing for the 108 elected seats in the National Constitutional Assembly elections of 11 September.

6. The Central Council, in its screening task, appears to have been fair in dealing with the cases it examined. Politician Tran Van Tuyen, often a critic of the present government and of the elections, has stated that he believes that the council did a "fair and reasonable job." Among various aspiring candidates, the council rejected three military personnel and accepted three others; it also rejected the candidacies of two civil servants and accepted a similar number. Of the seven persons who were challenged on the basis of nonfulfillment of military service (draft), five were accepted as candidates and two were rejected. In the most controversial category, that of challenges based on political unsuitability, six were accepted and six rejected.

I-2

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7. The leader of the FULRO tribal autonomy movement in the highlands, Y'Bham Enoul, may call upon his followers to boycott the September elections if a satisfactory reply to FULRO demands is not received in the next few days.

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Continued delay in signing the accords could open the possibility of renewed active opposition by FULRO followers.

8. If FULRO should call for a boycott of the elections, the response among the mountain tribes will probably be limited. FULRO's support among the tribesmen is essentially limited to two tribes in four provinces of the central highlands. However, there is a real danger that FULRO could instigate armed uprisings among tribesmen in some Special Forces camps, judging from past experience.

#### Viet Cong Terrorism in Saigon

9. Newly revealed information suggests that the recent slaying of a minor official of the US-owned Vimytex Textile Plant in Cholon may be part of a larger pattern of Viet Cong terror directed at the company whose officials and employees are largely of Chinese origin. The terror campaign appears to be directed toward foremen and officials who have been responsible for scotching Communist-inspired labor strife in the plant. Letters recently received by the plant officials follow the pattern of those received earlier by the slain man. Several letters boast that the "People's Armed Forces," a clear reference to the Viet Cong, killed the foreman. The parents of two foremen also received Chinese language versions of the "black hand" letters, which contain internal characteristics suggestive of collaboration by Chinese Communist elements.

#### Buddhist Institute Developments

10. In addition to the 30 July letter, there has been a welter of communiques, originating from the Buddhist Institute in the past week or so, which

I-3

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touch on the government's posture toward the Buddhists in general. This stiffening of the Buddhist position, including a further call for the boycott of the 11 September elections, will probably make a compromise settlement between the GVN and the United Buddhist Association much more difficult to attain.

11. On 7 August, the Buddhist Institute issued a communique, signed by acting director Thich Thien Hoa, which repeated its call for election boycott. The Buddhist Institute reiterated its distrust of the military regime and revived its call for the immediate establishment of a temporary civilian government to take over direction of the election. Hoa's communique seemed to be a kind of warning to the Ky government that more active opposition measures might be adopted. Additionally, it could serve to coalesce presently isolated and ineffective anti-government elements in various parts of the country into a more unified movement against the government.

12. On 6 August the Buddhists publicized a note sent to the United Nations which laid the blame for a large share of South Vietnam's problems on United States policy toward the country which, in their words, is one that "always supports individuals in office." The letter also bore down heavily on a theme of religious persecution by the government and implored the UN Secretary General and the Human Rights Commission to search out ways to save the Vietnamese nation, the Buddhist religion, and, in particular, the life of Thich Tri Quang. The letter caused little stir in Saigon political circles and may be no more than a Buddhist effort to test the degree to which the government will tolerate criticism of its activities.

13. The Buddhists issued still another paper-challenge to the government on 9 August. This essay, enunciated by Thich Thien Hoa as an official position of the Buddhist clerical hierarchy, calls on "Generals" Ky and Thieu to bring to trial the "main culprits" among the Buddhists who led the "struggle" movement, and to release the "hundreds" of "senselessly" involved accomplices now being detained.

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I-4

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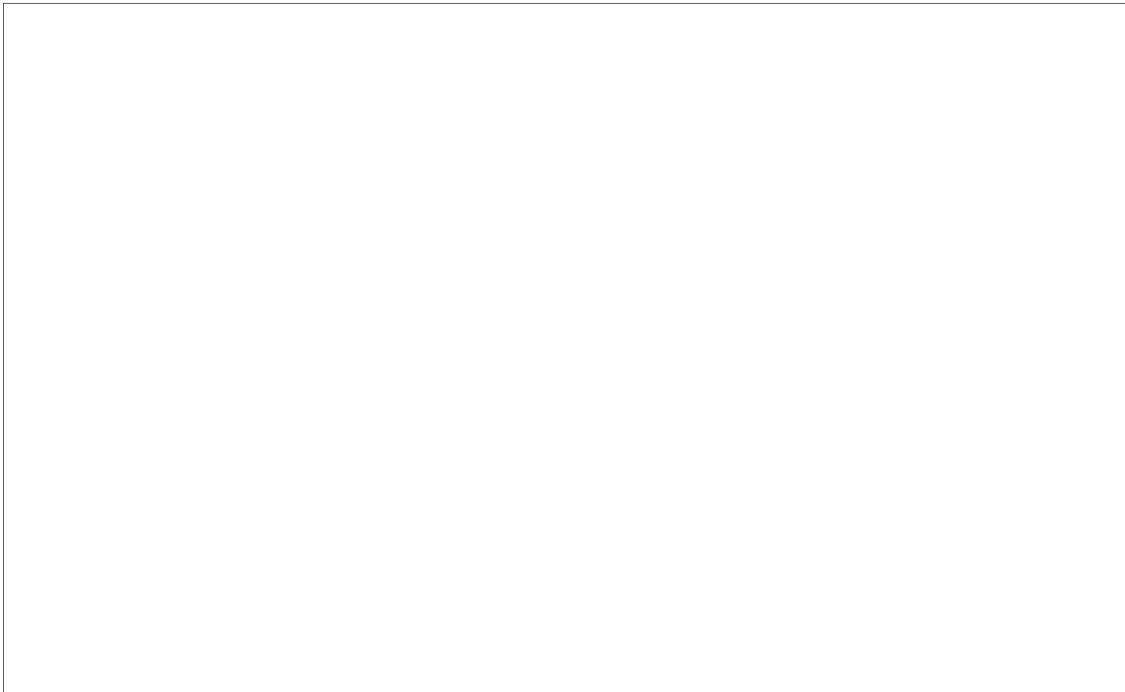
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16. On 7 August the government allowed Tri Quang to leave the isolation of his hospital sanctuary and travel to the Buddhist Institute for a brief conference. This action may foreshadow more relaxed treatment for the controversial monk in the future.

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## II. REVOLUTIONARY DEVELOPMENT

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The number of defectors thus far in 1966 has surpassed 1965's total. The US Mission reports that 420 GVN officials, most of whom probably worked at the village and hamlet level, were either assassinated or kidnaped during the first six months of 1966. US-supported educational programs are registering unusual progress. As of 26 July, there were 42 free world medical teams providing assistance throughout South Vietnam.

### Viet Cong Defectors (Chieu Hoi)

1. With the return of 295 Communists to the GVN during the week ending 5 August, the total of 11,312 returnees has surpassed the entire 1965 tally. The average influx of approximately 52 returnees per day in 1966 represents a 70 percent increase over the average daily figure for 1965. Since the high period of February through April, the 1966 daily average has dropped to about 44 defectors per day, but this rate is still significantly higher than comparable 1965 averages.

2. The quality of the defectors during the last reporting week appears to be even better than the high quality of recent weeks. Five of the 295 returnees for that week claimed to be from the North Vietnamese Army.

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If it is confirmed through subsequent interrogations that these men held the positions they claimed, it will probably represent the most lucrative take of defectors for any week of the war. The defectors were distributed by corps areas as follows:

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I Corps - 34  
II Corps - 79

III Corps - 68  
IV Corps - 114

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#### Viet Cong Tactics Against Local GVN Officials

4. During the first six months of 1966, 420 officials employed by the government were either assassinated or kidnaped by the Vietnamese Communists. Although the figure represents a significant decrease from the 991 officials who reportedly met the same fate during the first six months of 1965, it is a significant testimonial to the Viet Cong methods used to discredit the central government. The purposes of this terror campaign against local officials are to demonstrate to the people in a village or hamlet that the government is unable to provide simple physical security for its representatives, to intimidate those inclined toward cooperation with the government, and finally, to portray the Viet Cong as a "liberator" from injustices perpetrated by some of these officials.

5. It appears that most of the assassination and kidnaping casualties are taken at the hamlet and village level. It also seems clear that consistently more personnel are kidnaped than assassinated. The number of officials killed or kidnaped in I Corps is an indication of the enemy's reaction to South Vietnam's internal political strife from March through May. During May, the number jumped to 22 following previous monthly averages of six. According to US Mission officials, the rapid rise probably reflects Viet Cong exploitation of the political ferment then.

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### Educational Developments

6. According to USAID officials, more hamlet classrooms will be built in 1966 than in any previous year. At the present ambitious rate of construction, nearly 2,300 hamlet schools should be finished this year compared with 1,360 during 1965. The number of classrooms completed and begun so far this year is running about 60 percent ahead of the 1965 period, largely because of the prompt release of funds from a larger budget and the more efficient use of both US and GVN personnel.

7. In the lower delta provinces of Region IV, 100 percent of the 532 classrooms initiated in 1965 will be completed soon. Moreover, the construction of hamlet classrooms programmed for 1966 is on schedule, with 42 percent of them already completed and 15 percent started as of 30 June. Region IV's program to train enough teachers for 1966 is 46 percent completed; 52 percent of the remainder of the prospective teachers are in training.

8. Progress is being registered in the educational programs designed to fill South Vietnam's technical agricultural positions, one of the country's greatest manpower voids. Enrollments at the four polytechnic schools total 2,155 for 1966. The graduates from these schools are generally assured of rapid employment in the numerous Vietnamese and US military and civilian agencies, such as the RMK-BRJ construction combine or the US Army. Enrollments in 1966 at South Vietnam's four agricultural schools number 2,150 students. In the IV Corps national priority area in An Giang Province, a proposal has been approved to build an agricultural high school and train the necessary teachers. The project, scheduled to begin this December, will cost approximately \$23,000,000 Vietnamese piasters (about US \$195,000).

### Free World Assistance to Public Health Programs

9. Several groups have arrived in the past few weeks to assist South Vietnam's fledgling health services. Three two-man teams of Cuban refugees will work in three districts in Bien Hoa Province. Two 17-man South Korean medical teams have been assigned to Phu Bon and Phuoc Tuy provinces. A Korean preventive medicine unit will

II-3

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be split up for duty in three other provinces. Moreover, two additional 17-man Korean teams were scheduled to arrive on the first of August for assignments in the provinces of Binh Tuy and Phu Yen.

10. A 10-member team of British pediatricians and nurses will spend a year working in South Vietnam's only children's hospital, which is located in Saigon. Nine more American physicians arrive in August to give 60 days of voluntary service under a program sponsored by the American Medical Association. As of 26 July, there was a total of 42 free world medical teams in the country, including those of the United States.

II-4

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### III. ECONOMIC SITUATION

Data on price movements during the week ending 8 August have not been received from the US Mission. As of 4 August, however, the recent encouraging decline in prices was continuing. The prices of gold and dollars also continued to decline. On 2 August, Minister of Economy Thanh announced the retirement by the GVN of 6.5 billion piasters of its indebtedness to the National Bank of Vietnam. The recent decision by French owners to close rubber plantations in Binh Long Province evidently has been deferred as a result of intercession by Premier Ky and of subsequent military operations to clear lines of communication into the plantation area.

#### Prices

1. Complete data on price movements during the week ending 8 August have not been received. As of 4 August, however, the recent encouraging decline in prices was continuing.

#### Gold and Currency

2. Gold and dollar prices also continued to decline. On 4 August, the price of gold on the Saigon free market was 256 piasters per dollar, or 9 piasters below the price on 1 August. Dollars fell one piaster to 184. In Hong Kong, the piaster-dollar cross rate on 3 August was 182 piasters, or 6 piasters below the previous week. The US Mission reports that although smuggling of fresh supplies of gold has played a part in the decline in the price of gold, the continuing fall in the price of gold vindicates the GVN policy of official gold sales which began in conjunction with devaluation in mid-June.

#### Reduction in GVN Indebtedness

3. On 2 August, Minister of Economy Thanh announced the retirement by the GVN of 6.5 billion piasters of its indebtedness to the National Bank of

III-1

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Vietnam. This transaction is largely a bookkeeping operation, however, because it stems from the wind-fall increase in the piaster value of gold and foreign exchange holdings of the GVN resulting from the recent devaluation. Nevertheless, the GVN is exploiting the psychological impact of the debt retirement to bolster confidence in the viability of the economy.

#### Truck Garden Campaign

4. A self-help truck gardening campaign has been launched by Vietnamese and American agriculturists in an area adjacent to Saigon. Seeds, fertilizers and technical assistance are being provided free of charge. The primary object of the campaign is to supplement the diets of poor families, reduce food imports and port handling, and develop a source of income.

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ANNEX

## TABLE

Weekly Retail Prices in Saigon a/  
(In Piasters)

	3 Jan 1966	11 Jul 1966	18 Jul 1966	25 Jul 1966	1 Aug 1966	% Change from Mo. Ago	% Change from Yr. Ago
Index for All Items <u>b/</u>	<u>160</u>	<u>220</u>	<u>209</u>	<u>217</u>	<u>219</u>	<u>+ 5</u>	<u>+ 96</u>
Index for Food Items <u>b/</u>	<u>169</u>	<u>237</u>	<u>220</u>	<u>230</u>	<u>228</u>	<u>+ 0.1</u>	<u>+ 97</u>
Of Which:							
Rice-Soc Nau (100 kg.)	800	1,450	1,500	1,500	1,500	+ 7	+ 67
Pork Bellies (1 kg.)	70	170	150	150	140	- 17	+133
Fish-Ca Tre (1 kg.)	110	180	140	160	160	- 6	+146
Nuoc Mam (jar)	50	85	85	85	85	0	+ 55
Index for Non-Food Items <u>b/</u>	<u>124</u>	<u>160</u>	<u>172</u>	<u>172</u>	<u>185</u>	<u>+ 23</u>	<u>+ 95</u>
Of Which:							
Charcoal (60 kg.)	440	550	600	600	600	+ 9	+ 82
Cigarettes (pack)	10	11	12	12	12	+ 20	+ 20
White Calico (meter)	27	39	40	40	40	0	+ 74
Laundry Soap (1 kg.)	30	40	45	44	44	+ 10	+110

a/ Data are from USAID sources.b/ For all indexes, 1 January 1965 = 100.**SECRET**

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